

May 1, 2002

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

STATE LEGISLATIVE UPDATE

State Budget Process

The Governor's May Revision is scheduled to be released on Tuesday, May 14, 2002. Capitol sources and various press accounts indicate that the State's deficit could exceed \$20 billion.

Today, the Senate Budget and Fiscal Review Committee moved its Subcommittee hearings for May Revision issues up by one week. The schedule is as follows:

Friday, May 17, 2002

Subcommittee No. 1 on Education 4:30 p.m.

Subcommittee No. 4 on Legislative, Executive, Public Safety and General Government Upon Call of the Chair

Sunday, May 19, 2002

Subcommittee No. 2 on Resources, Environmental Protection, Judiciary, Transportation and Energy 9:00 a.m.

Subcommittee No. 3 on Health, Human Services, Labor and Veterans Affairs 4:00 p.m.

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Subcommittee reports will be presented to the full Senate Budget Committee on Thursday, May 23, 2002. Once the reports are adopted by the Committee, the Senate could consider its version of the State Budget on the same day.

Although the Assembly Budget Committee has not yet published its May Revision hearings, they are expected to take place during the week of May 20, 2002.

The 2002 State Budget Conference Committee is tentatively scheduled to begin on Monday, June 3, 2002.

Assembly Budget Hearing on Trauma

On April 29, 2002, the Assembly Budget Subcommittee No. 1 on Health and Human Services voted to place \$25 million on its Suspense File for California's Trauma Centers. The Subcommittee will consider the Suspense File during its May Revision hearings. Representatives from the Save California Trauma Centers Coalition testified that the \$25 million in State funding received in the current fiscal year has helped trauma centers, but the centers remain in financial crisis and, without continued State funding in the next fiscal year, California could see the closure of some trauma centers.

Energy Oversight Informational Hearing

Senate Budget and Fiscal Review Subcommittee No. 2 conducted an Energy Oversight informational hearing on Monday, April 29, 2002. Testifying before the subcommittee were representatives from the Legislative Analyst's Office, Department of Finance, Public Utilities Commission, Department of Water Resources, California Consumer Power and Conservation Financing Authority, California Energy Commission, Electricity Oversight Board, and the California Independent System Operator Governing Board. LAO staff discussed the State's many energy-related activities, the several State entities charged with those activities, and the need to streamline and integrate the activities and agencies. The LAO also noted that the State is both an energy seller and a regulator of the energy market, a potential conflict of interest that should be addressed. DOF Chief Deputy Director Betty Yee stated that the sale of energy bonds is expected to occur between late August and early September.

Joint Legislative Audit Committee Hearing in Los Angeles

A hearing of the Joint Legislative Audit Committee will be held in Los Angeles on Friday, May 3, 2002, to hear testimony from the Los Angeles County Auditor-Controller regarding the recent audit of the County's Department of Children and Family Services, Internal

Affairs/Civil Rights and Affirmative Action Division. The hearing is scheduled for 2:00 p.m. in the Eason Room of the Ronald Reagan State Office Building, 300 South Spring Street.

Pursuit of County Position Relating to the State Budget

The Legislative Analyst's Office's (LAO) Analysis of the 2002-03 Budget Bill recommended that the Legislature increase the fee charged to counties for a share of the cost of housing juvenile offenders in the California Youth Authority. Currently, the fee structure consists of a sliding fee based upon a monthly cost factor that is capped at \$2,600 per offender and a monthly flat fee of \$150 per offender. The LAO recommendation is to adjust both the monthly base cost and the flat fee by 17 percent - the rate of inflation since the fees were last adjusted - and to make such adjustments annually. In FY 2000-01, the Probation Department paid \$15 million in fees for juveniles sent to the Youth Authority. Based upon the same number and category of placements (which is a determination of the courts), the proposed fee increase would have cost the Department an additional \$2.5 million had it been in effect that year.

Based upon existing policy to "oppose program shifts to counties when control over those programs remains outside the County," **our Sacramento advocates will oppose the LAO's recommendation** when it is considered in Assembly Budget Subcommittee No. 4. There is no hearing date set.

Pursuit of County Position on Legislation

SB 1346 (Kuehl) would authorize the California Integrated Waste Management Board (Waste Board) to expand the State's tire recycling program by providing grants to local agencies to fund the difference in cost between using rubberized asphalt concrete (RAC) or rubberized emulsion aggregate slurry (REAS) and conventional asphalt in roadway reconstruction projects.

The California Integrated Waste Management Act of 1989 (AB 939) requires each city and county to divert 50 percent of its solid waste from disposal at landfills and/or transformation facilities. The Department of Public Works is responsible for ensuring the County's compliance with AB 939 and to meet that goal, has developed and implemented the County's Waste Tire Management Plan which includes projects that use RAC and REAS for roadway reconstruction. RAC and REAS are composed of crumb rubber made from waste tires. Since 1993, the RAC/REAS projects have diverted 1.8 million tires from landfill disposal, however, continued diversion of waste tires is dependent on developing markets for recycled waste tire products, specifically RAC and REAS. Using RAC and REAS for roadway reconstruction costs more than using conventional materials, therefore, the

Department of Public Works anticipates that funding the difference in cost will increase demand for waste tire products.

The Department of Public Works recommends a support position on SB 1346 because it will reduce landfill disposal of waste tires by increasing the demand for waste tire products and **we concur. Support for SB 1346 is consistent with Board policy to support increased flexibility for local agencies to meet waste reduction goals established in the State Integrated Waste Management Act.**

SB 1346 was scheduled to be heard in the Senate Appropriations Committee on April 29, 2002, but the hearing was cancelled by the author and has not been rescheduled. SB 1346 is supported by the California State Association of Counties, California Tire Recyclers, League of California Cities, Planning and Conservation League, and the Sierra Club of California. There is no opposition on file.

SB 1427 (Escutia and Speier) would make the low-cost automobile insurance pilot programs permanent for the County of Los Angeles and the City and County of San Francisco by repealing the January 2004 sunset date.

SB 1427 would maintain the current annual insurance rate in Los Angeles at \$450 and in San Francisco at \$410, and would increase the maximum qualifying household income from 150 percent to 250 percent of the Federal poverty level for good drivers 19 years of age or older who have been licensed for three years. Other bill provisions include reducing the down payment from \$100 to 15 percent of the total premium; adding \$1,000 medical payment coverage to existing benefits for Los Angeles County qualified drivers; providing optional uninsured motorist coverage; and, setting a different commission rate for the insurance policies as long as the commission is not lower than that offered on other policies and does not increase the basic insurance rate.

The Low Cost Automobile (LCA) Insurance program requires that the price of an LCA policy include all losses from policies, administration, underwriting, claims adjustment and commission expenses. The Senate Committee on Insurance analysis indicates that to date more premiums have been collected than paid in direct losses and that the loss ratio for drivers under the LCA program compares favorably with the loss ratio of major insurance carriers offering good driver policies. Also, the LCA statute requires that the insurance price cannot result in a subsidy from a policyholder outside the LCA pool. SB 1427 is double-joined with **SB 180 (Speier)**, which repeals the exemption from proof of financial responsibility requirements for automobile insurance in Los Angeles and San Francisco that would have gone into effect on January 1, 2004.

Based upon previous policy adopted by the Board on February 9, 1999 to support in concept SB 171 (Escutia), which established the pilot low cost automobile insurance program, our Sacramento advocates will be supporting SB 1427. It was last amended on April 18, 2002 and is currently in the Senate Appropriations Committee, with a hearing date set for May 6, 2002. It is sponsored by the Foundation for Taxpayer and Consumer Rights. Opposition includes the Association of California Insurance Companies, Personal Insurance Federation of California, American Agents Alliance, Allstate Insurance, American Insurance Association and the National Association of Independent Insurers.

Status of County Interest Legislation

County-supported AB 1808 (Richman), which would require special training and State certification by January 1, 2005, of every physician that provides treatment and evaluation on workers' compensation cases, re-certification of physicians every two years, and require the State to develop data on workers compensation cases relative to physician utilization management, quality of care, and outcome measurement, failed passage out of the Assembly Committee on Insurance by a vote of 11 to 8 on April 24, 2002.

County-supported AB 1809 (Richman), which would require use of an Official Workers' Compensation Fee Schedule for all treatment on workers' compensation cases regardless of when the expenses are eligible for compensation, and would add maximum fees for outpatient treatment and surgery to the Official Workers' Compensation Fee Schedule by January 1, 2004, failed passage out of the Assembly Committee on Insurance by a vote of 11 to 8 vote on April 24, 2002.

County-opposed AB 1847 (Correa), which would mandate that peace officers, who develop or manifest an illness due to exposure to a biochemical substance, are provided a presumption that the illness arose out of and in the course of employment and are, therefore, eligible for a disability retirement, passed out of the Assembly Committee on Public Employees, Retirement and Social Security on April 22, 2002 on a 17 to 0 vote and was referred to the Assembly Committee on Insurance.

County-supported AB 2185 (Chavez), which would change the selection criteria and appointment process for members of the Los Angeles Regional Water Quality Control Board (RWQCB), was passed by the Assembly Committee on Environmental Safety and Toxic Materials, on April 16, 2002, by a vote of 5 to 1. The bill was then referred to the Appropriations Committee, for hearing on April 24, 2002. That hearing was cancelled by the Committee, and no new hearing has been scheduled. Your Board's action on this bill included a request that the bill be amended to remove a conflict with an existing law related to the disqualification of RWQCB members who are employed by RWQCB permittees.

To date, the bill has not been amended.

County-supported AB 2214 (Keeley), which would prohibit the use of the Ward Valley site in San Bernardino County, for disposal of low-level radioactive waste, was passed by the Assembly Committee on Environmental Safety and Toxic Materials, on April 9, 2002, by a vote of 6 to 3. The bill was referred to the Appropriations Committee for hearing on April 24, 2002, but that hearing was cancelled by the author and rescheduled for May 1, 2002. On April 25, 2002, AB 2214 was amended to make a technical change in the requirement that the State Department of Health Services establish and collect license fees for the disposal of low-level radioactive waste. The bill has not been amended to direct the State Department of Health Services to address the issue of disposal of low-level radioactive waste, as was requested in your Board's action on the bill.

County-supported AB 2611(Richman), which would address several areas of reform to the current workers' compensation system concerning qualifications, use and training of medical evaluators, the schedule for assessing the level of disability and factors used for determining compensation for an injury, failed passage out of the Assembly Committee on Insurance by a vote of 11 to 8 on April 24, 2002.

County-opposed AB 2700 (Mountjoy), which as introduced relaxed the State's motorcycle helmet law by requiring helmet use only by a driver and a passenger who are 17 years of age or less, was amended on April 18, 2002 to allow a person who is 18 years of age or older to operate or be a passenger on a motorcycle without a helmet if they have proof or at least \$1 million in medical insurance. The bill was amended again on April 29, 2002 to require helmet use by those 20 years of age or less, instead of 17, and to allow a person 21 years of age or older, instead of 19, to operate or be a passenger on a motorcycle without a helmet if they have proof of at least \$1 million in medical insurance.

The Department of Health Services (DHS) indicates that these amendments would not significantly diminish the increase in the number of injuries and fatalities which will result from passage of AB 2700, and would be likely to contribute to the rising cost of medical insurance. The County previously opposed AB 1412 which also contained a provision requiring motorcycle riders and passengers without helmets to have proof of current medical insurance and failed passage in 1998. Consistent with County opposition to AB 1412, our Sacramento advocates will continue to oppose AB 2700.

County-supported AB 2704 (Aroner), which would authorize the Department of Water Resources to establish a flood control and urban creek restoration program, was amended on April 17, 2002, to include and define "adaptive management," as necessary to protect the integrity of restoration projects, and to meet flood damage reduction and flood plan

acquisition, ecological, urban fisheries restoration, and recreation objectives, as well as to require that one-half of the annually available grant funds be allocated to small urban creek projects and one-half to large urban creek projects. On April 23, 2002, AB 2704 was heard by the Assembly Committee on Water, parks and Wildlife, where it was passed on a 11 to 7 vote. The bill has been re-referred to the Committee on Appropriations, but no further hearings have been set.

County-supported SB 657 (Scott) passed the Legislature on April 25, 2002 and is awaiting the signature of the Governor. The bill conforms state income and corporation tax laws with provisions of the Federal Economic Growth and Tax Relief Reconciliation Act of 2001 that apply to retirement plans and certain trusts. It includes provisions to 1) increase the Education IRA limit and expand coverage to qualified elementary and secondary schools, 2) increase the annual contribution amount for IRAs and provide for "catch up contributions," 3) increase and index the limits on annual elective deferrals for 401(k) and 403(b) plans, and 4) increase the portability of pensions by liberalizing rollover options. In order to offset the loss of state revenue that would result from these changes, the bill would conform with Federal tax law which denies a business deduction for compensation to an employee that exceeds \$1 million annually, as well as for membership dues in private clubs. It would also require a company which elects a certain tax treatment at the Federal level to do the same on its state return.

SB 657 is linked to **AB 1122 (Corbett)**, an identical bill which has also been sent to the Governor. On April 25, 2002 the Governor signed **AB 131 (Corbett)**, which provides for State conformity with Federal income tax laws with respect to rollovers allowed among various types of plans, and purchase of service credit in government defined benefit plans. It also allows certain participants in 457 plans, otherwise excluded due to retirement in 2002 prior to enactment of this bill, to take advantage of the newly enacted provisions.

County-supported SB 1227 (Burton), the Housing and Emergency Shelter Trust Fund Act of 2002, which authorizes the sale of \$2.1 billion in State bonds and allocates funds to State housing programs, was signed by the Governor (Chapter 26) on April 22, 2002. It will be on the November 5, 2002 ballot.

County-opposed SB 1351 (Chesbro), which would mandate disability benefits under Section 4850 of the Labor Code for County welfare fraud investigators, entitling them to public safety workers' compensation benefits, passed out of the Senate by a 23 to 13 vote on April 11, 2002, and is now at the Assembly Desk awaiting committee assignment.

County-opposed SB 1481 (Polanco), which would limit the Board of Supervisor's

authority and discretion in budgeting for a County department, was amended in the Senate Public Safety Committee on April 30, 2002. After our Chief Sacramento Advocate indicated that the new version of the bill seemed to impose a new, unfunded mandate on counties, the original version of the bill was reinstated and amended orally. Based on the discussion, the amended bill would prohibit the use of inmate welfare funds to pay required county expenses such as meals, clothing, housing, or medical services or expenses. However, it would specify that the Sheriff has the authority to supplement those expenses from the inmate welfare fund. We will reevaluate the County's position once the amended bill is in print.

County-supported SB 1520 (Ortiz), the "California Soda Tax Act," was amended April 29, 2002 to remove the excise tax and the programs it would have supported. The amended bill simply prohibits the sale of carbonated beverages on public school grounds starting with elementary schools in 2004, middle schools in 2005 and high schools in 2007. We have asked the Department of Health Services to review SB 1520 and recommend a position on the amended bill. SB 1520 is set for hearing on May 8, 2002 in the Senate Education Committee.

County-opposed SB 1609 (Soto), which would mandate that contracting a blood-borne infectious disease by county health care workers is presumed to be contracted on the job, making them eligible for workers' compensation benefits and disability retirement, was amended and re-referred to the Senate Committee on Appropriations on a 5 to 3 vote on April 11, 2002. The amendments, which add any other county employee who could reasonably be expected to come into contact with blood or potentially infectious diseases, and include various nurse categories, laboratory technologists, dental hygienists, physicians, janitors, sanitation or house keeper workers in the definition of health care workers, did not change the County's position.

County-opposed SB 1705 (Burton), which would expand the definition of physician for purposes of evaluating workers' compensation medical/disability issues to include acupuncturists, was amended and re-referred to the Senate Committee on Business and Professions on a 5 to 3 vote on April 11, 2002. The amendments, which were technical in nature, did not change the County's position.

We will continue to keep you advised of any new developments.

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DEJ:GK
MS:md

c: Executive Officer, Board of Supervisors
 County Counsel
 All Department Heads
 Legislative Strategist
 Local 660
 Coalition of County Unions
 California Contract Cities Association
 Independent Cities Association
 League of California Cities
 City Managers Associations
 Buddy Program Participants

